

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6190

BILL NUMBER: HB 1151

NOTE PREPARED: Nov 17, 2009

BILL AMENDED:

SUBJECT: Basic Health Insurance Coverage.

FIRST AUTHOR: Rep. Brown T

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill allows, under certain circumstances, an accident and sickness insurer or a health maintenance organization (HMO) to provide a policy or contract without complying with all health benefit mandates.

Effective Date: July 1, 2010.

Explanation of State Expenditures: The bill requires insurers and HMOs to report specified information to the DOI concerning policies and contracts. These provisions will increase DOI administrative expenses. However, it is presumed that the DOI will be able to implement these provisions within its existing level of resources.

The impact on the state, if any, is a potential decrease in demand for ICHIA (Indiana Comprehensive Health Insurance Association) policies. Any impact is likely to be small. However, insurers under existing law might not be willing to provide coverage to an individual who has a specific condition. ICHIA might be the only insurer willing to provide health coverage to the individual. Under the proposal, insurers other than ICHIA might be willing to offer this person a health insurance policy that provides for all other health concerns except concerns related to the specific condition. In this case, the person might choose to purchase the insurance policy with the waiver if at a lower premium cost than an ICHIA policy. (The above example was for illustration purposes only.)

ICHIA Background: All carriers, health maintenance organizations, limited service health maintenance organizations, and self-insurers providing health insurance or health care services in Indiana are ICHIA

members. ICHIA determines net premiums, administrative expenses, and incurred losses for the year. Twenty-five percent of any net loss is assessed members in proportion to their respective shares of total health insurance premiums, and 75% of the net loss is to be paid by the state. Net gains, if any, must be held at interest to offset future losses or allocated to reduce future premiums.

To be eligible for an ICHIA policy, an Indiana resident must show evidence of being denied insurance coverage under any insurance plan that meets or exceeds the minimum requirements for accident and sickness insurance policies issued in Indiana without material underwriting restriction; an insurer has refused to issue insurance except at a rate exceeding the ICHIA plan rate; or the individual is eligible under the federal Health Insurance Portability and Accountability Act. The individual may not be eligible for Medicaid or Medicare. ICHIA provides health coverage to approximately 6,900 individuals in the high risk program and 500 individuals in the Healthy Indiana Program (which the state funds through cigarette tax revenue). Members who have paid assessments prior to January 1, 2005, may take a credit against premium taxes and adjusted gross income taxes for each calendar year in which the assessments were paid and for succeeding years until the aggregate of those assessments have been offset by either credits against those taxes or refunds from the ICHIA. Members may include in premiums charged for insurance policies amounts sufficient to recoup a sum equal to the amounts paid to ICHIA.

Explanation of State Revenues:

Explanation of Local Expenditures: The proposal could affect expenditures of those local units and school corporations that employ not more than 50 employees and that purchase group insurance or HMO coverage. The impact will depend on the number and nature of policies that employers opt to purchase that do not comply with all health benefit mandates. It is unknown if local units would absorb any savings or pass the savings on to employees, as cost sharing of health benefit premiums varies widely by locality.

Explanation of Local Revenues:

State Agencies Affected: ICHIA.

Local Agencies Affected: Local units of government and school corporations that employ not more than 50 employees and that purchase group insurance or HMO coverage.

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